

BABY BONDS TASK FORCE REPORT RELEASE

MONDAY, DECEMBER 12
12:00PM - 1:00PM



OFFICE OF
**ECONOMIC
EMPOWERMENT**

Office of the Treasurer and Receiver General of Massachusetts

Agenda

- **Special Remarks by *Treasurer Deborah B. Goldberg***
- **A Message from Our Legislative Champions: *Sen. Paul Feeney and Rep. Andy Vargas***
- **Review: Baby Bonds Task Force Report by *Alayna Van Tassel***
- **Panel Discussion moderated by *Lisa Wong***
- **Next Steps**

Disclosures

This is a Zoom webinar and will be recorded. The recording may be uploaded onto a public website for future use. This webinar will also be streamed live on Facebook.

Any information shared through the Q&A feature will be anonymous. Please note, however, that the chat function is not anonymous and is subject to public records laws.

Housekeeping

- **This is a webinar and not a meeting. As such, you will not be able to view the other participants.**
- **The Q&A feature will be available throughout the webinar.**

The Office of Economic Empowerment

The Office of Economic Empowerment (OEE) is a department within the Office of the Treasurer and Receiver General of Massachusetts tasked with offering free and accessible financial education, promoting wage equity, and creating a bright future for children across the state.

Our office delivers programs to all residents of Massachusetts and at every stage of their lives, regardless of their economic background.

Learn more by visiting our website:

www.mass.gov/treasury/empowerment.

SPECIAL REMARKS

Treasurer Goldberg



Message from Our Legislative Champions



The Honorable Paul Feeney,
State Senator representing the
Bristol and Norfolk District



The Honorable Andy Vargas,
State Representative representing the
3rd Essex District

Task Force Report

Overview by
Alayna Van
Tassel



Task Force Timeline and Process

- **Timeline**

- June-October: Create and finalize recommendations
- November: Draft legislation and secure legislative partners
- December: Report published

- **Task Force Design**

- Subcommittee 1: Eligibility and Funding
- Subcommittee 2: Building Financial Capability and Engagement
- Subcommittee 3: Accessing and Using Baby Bonds
- Subcommittee 4: Trust Management, Oversight, and Operations
- Community Participation

Key Recommendations

Eligibility and Funding:

- Children who are enrolled in the **Transitional Aid to Families with Dependent Children (TAFDC) program** any time prior to turning one year old will be eligible for Baby Bonds at maturity. Children under the age of one in the **Department of Children and Families' foster care system** will also be automatically included in the Baby Bonds program.
- Enrollment in Baby Bonds is **automatic**.
- Efforts should be made to establish a **sustainable source of funding** for Baby Bonds that will ensure the program's longevity.

Building Financial Capability and Engagement:

- Early, consistent, and **targeted engagement** with Baby Bonds participants and their families.
- A **Community Advisory Committee**, consisting of agencies, school systems, resource providers, community-based and grassroots organizations, among others, shall exist to convene a statewide network of support and connect resource providers to Baby Bonds participants and their families.
- The Task Force supports **An Act Requiring Financial Education in Schools** as well as targeted financial education for Baby Bonds participants and their families.

Key Recommendations (cont.)

Trust Fund Projections:

Assuming a realistic 5% rate of return, with an initial lump sum deposit of \$4,250, \$6,500, and \$8,500, recipients would receive roughly \$10,000, \$15,000, or \$20,000 at maturity. The full model including present values, which take into account a 2.32% annual inflation rate, is included in the report. Below is a modified table demonstrating the potential values from 18-30 years (*not* taking into account inflation).

	Low	Medium	High
Total Funding Per Child	\$4,250	\$6,500	\$8,500
18 year value	\$10,228.13	\$15,643.03	\$20,456.26
20 year value	\$11,276.52	\$17,246.44	\$22,553.03
25 year value	\$14,392.01	\$22,011.31	\$28,784.02
30 year value	\$18,368.26	\$28,092.63	\$36,736.51

The Task Force recommends, at a minimum, choosing the “medium” option which has the potential to bring the total endowment at 18 to almost \$15,000 or \$10,000 in today’s value (assuming 2.3% annual inflation). The subcommittee believes that an endowment that is lower than this will not be enough to truly support wealth-building activities and thus would not justify the program.

Key Recommendations (cont.)

Accessing and Using Baby Bonds:

- Fund disbursement at age 18 and terminating at age 35.
- Allowable uses of the funds should be limited to wealth-building activities that will either be prescribed in legislation or will be prescribed in future regulations. Wealth-building activities should include:
 - Assisting in buying a house
 - Post-secondary education (including technical and vocational training)
 - Starting or expanding a business
 - Saving for retirement
 - Any other investment in financial assets or human development that provides long-term gains to wages and wealth, as determined by the Treasurer
 - Allowable uses should also include expenses that support wealth-building activities, such as investing in a car to be able to attend post-secondary education
- The Treasurer may prescribe regulations relating to cases where participants are unable to use the funds within the allowed time frame (e.g. military service or incarceration).

Key Recommendations (cont.)

Trust Management, Oversight, and Operations:

- Establish a trust that invests a single, omnibus account with appropriate risk characteristics.
- It is critical to connect and engage individuals with their respective accounts to (a) facilitate a relationship between Baby Bonds and recipients, and (b) allow for the updating of personal information; these actions would make verification at the time of withdrawal significantly easier.
- Participation in the Massachusetts Baby Bonds program may not preclude parents, caregivers, or Baby Bonds participants from receiving state and federal benefits, and Baby Bonds funds will not be counted as taxable income.

**PANEL
DISCUSSION**

**Moderated by
Lisa Wong**



PANELISTS



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